

REPORT OF THE SALES AND USE TAX AND INCOME TAX SUBCOMMITTEE

(Clemmons, Hosey, Stavrinakis, Whitmire & Moss - Staff Contact: Michael Jackson)

HOUSE BILL 3136

H. 3136 -- Reps. G.M. Smith, G.R. Smith and Erickson: A BILL TO AMEND SECTION 12-6-3790, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE EXCEPTIONAL NEEDS TAX CREDIT, SO AS TO PROVIDE THAT THE CUMULATIVE MAXIMUM ANNUAL CREDIT AMOUNTS ARE INCREASED TO PROVIDE A SCHOLARSHIP TO ANY EXCEPTIONAL NEEDS CHILD OF A MEMBER OF THE ARMED FORCES OF THE UNITED STATES AND WHO IS EITHER ON ACTIVE DUTY OR WAS KILLED IN THE LINE OF DUTY.

Received by Ways and Means:

December 18, 2018

Summary of Bill:

Annual maximum credits are increased to award scholarships to any desirous exceptional needs child who is the child of a member of the armed forces of the United States and who is either on active duty or was killed in the line of duty.

Estimated Revenue Impact:

This bill will increase the cumulative credits for contributions to the Educational Credit for Exceptional Needs Children's Fund authorized under Section 12-6-3970 (D)(1) by \$220,000 in FY 2020-21. The increased credit amount will decrease the General Fund individual and corporate income tax revenue by \$220,000 in FY 2020-21.

Subcommittee Recommendation:

Favorable with Amendment

HOUSE
AMENDMENT

THIS AMENDMENT
ADOPTED

GOOD/DOWNEY
JANUARY 24, 2019

CLERK OF THE HOUSE

THE SALES AND USE AND INCOME TAX SUBCOMMITTEE
PROPOSES THE FOLLOWING AMENDMENT No. TO H. 3136
(COUNCIL\DG\3136C001.NBD.DG19):

REFERENCE IS TO THE BILL AS INTRODUCED.

**AMEND THE BILL, AS AND IF AMENDED, BY
STRIKING SECTION 2 AND INSERTING:**

**/ SECTION 2. SECTION 12-6-3790(D)(1)(A) OF
THE 1976 CODE IS AMENDED TO READ:**

**(D)(1)(A) TAX CREDITS AUTHORIZED BY
SUBSECTION (H)(1) AND SUBSECTION (I)
ANNUALLY MAY NOT EXCEED CUMULATIVELY A
TOTAL OF ~~TWELVE~~ TWENTY MILLION DOLLARS
FOR CONTRIBUTIONS TO THE EDUCATIONAL**

**CREDIT FOR EXCEPTIONAL NEEDS CHILDREN'S
FUND, UNLESS AN INCREASED LIMIT IS
AUTHORIZED IN THE ANNUAL GENERAL
APPROPRIATIONS ACT.**

**SECTION 3. THIS ACT TAKES EFFECT UPON
APPROVAL BY THE GOVERNOR AND THE
ADJUSTMENTS FIRST APPLY TO THE CUMULATIVE
TOTAL FOR TAX YEAR 2020. /**

**RENUMBER SECTIONS TO CONFORM.
AMEND TITLE TO CONFORM.**



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	H. 3136	Introduced on January 8, 2019
Author:	G.M. Smith	
Subject:	Maximum Contributions to the Educational Credit for Exceptional Needs Children's Fund	
Requestor:	House Ways and Means	
RFA Analyst(s):	Shuford	
Impact Date:	January 10, 2019	

Fiscal Impact Summary

This bill will increase the cumulative credits for contributions to the Educational Credit for Exceptional Needs Children's Fund (Fund) authorized under Section 12-6-3970(D)(1) by \$220,000 in FY 2020-21. This is the estimated amount necessary to award any desirous exceptional needs child of an active duty member of the armed forces of the United States or a member killed in the line of duty a scholarship from the Fund. The increased credit amount will decrease General Fund individual and corporate income tax revenue by \$220,000 in FY 2020-21.

Explanation of Fiscal Impact

Introduced on January 8, 2019

State Expenditure

This bill requires the Department of Revenue and Education Oversight Committee to consult with the Revenue and Fiscal Affairs Office in estimating the increased amount of the cumulative total credits for contributions to the Fund. We anticipate these consultation duties will not operationally or fiscally impact the agencies. Therefore, the bill will not have an expenditure impact on the General Fund, Other Funds, or Federal Funds.

State Revenue

This bill requires the Revenue and Fiscal Affairs Office, in consultation with the Department of Revenue and the Education Oversight Committee, to estimate the amount necessary to increase the cumulative total credits for contributions to the Fund. The estimated increase is the amount necessary to award any desirous exceptional needs child of an active duty member of the armed forces of the United States or a member killed in the line of duty a scholarship from the Fund. Presently, cumulative credits for contributions to the Fund authorized under Section 12-6-3970(D)(1) may not exceed a total of \$12,000,000 annually. The estimated increase in contributions to the Fund will reduce General Fund individual and corporate income tax revenue by a corresponding amount.

This bill does not modify requirements for eligible students and schools receiving scholarships from the Fund. Therefore, students qualifying for a scholarship must be exceptional needs children and residents of the State. In addition, the qualifying students must attend eligible schools located in this State. Pursuant to this existing statute, we anticipate that active duty military families stationed in South Carolina that are not residents of the State will not be eligible

for these scholarship and will not increase the amount of cumulative total credits. The number of eligible students are estimated below.

Based on data from the Defense Manpower Data Center of the Department of Defense, approximately 40,085 active duty military personnel, as of September 30, 2018, are assigned a duty station in South Carolina. Of these, Department of Defense accession data indicate that on average 2.01 percent of these service members are South Carolina residents. Multiplying the 40,085 service members times the South Carolina resident percentage results in an estimated 842 service members whose children will be eligible for scholarships from the Fund.

The precise number of eligible children of South Carolina service members that meet the proposed criteria is not available. For this analysis, we make use of U.S. Census Bureau data to estimate the number of eligible students. The 2010 Census reports that of the 4,625,364 total population of South Carolina 3,661,409, or 79.16 percent, are in family households of one or more people related by birth, marriage, or adoption. Of these family members, 788,807, or 21.54 percent, are students enrolled in Kindergarten through twelfth grade.

Utilizing these population percentages, we anticipate that of the estimated 842 South Carolina service members, approximately 666, or 79.16 percent, are part of a family household. Of these households, an estimated 144, or 21.54 percent, will be Kindergarten through twelfth grade students. Further, we estimate that approximately 20 of these students, or 13.1 percent, will be exceptional needs students. This estimate is based on the percentage of students with exceptional weightings as indicated in the latest 45-day membership report of the South Carolina Department of Education.

At the maximum \$11,000 scholarship amount, the estimated additional 20 students will increase scholarships by \$220,000 in tax year 2020 or FY 2020-21. Increasing the cumulative credits for contributions to the Fund authorized under Section 12-6-3970(D)(1) by \$220,000 for these additional students will decrease General Fund individual and corporate income tax revenue by \$220,000 in FY 2020-21.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

South Carolina General Assembly
123rd Session, 2019-2020

H. 3136

STATUS INFORMATION

General Bill

Sponsors: Reps. G.M. Smith, G.R. Smith, Erickson, Clyburn, B. Newton, V.S. Moss and Yow

Document Path: I:\council\bill\ncd\11135dg19.docx

Introduced in the House on January 8, 2019

Currently residing in the House Committee on **Ways and Means**

Summary: Not yet available

HISTORY OF LEGISLATIVE ACTIONS

Date	Body	Action Description with journal page number
12/18/2018	House	Prefiled
12/18/2018	House	Referred to Committee on Ways and Means
1/8/2019	House	Introduced and read first time (House Journal-page 99)
1/8/2019	House	Referred to Committee on Ways and Means (House Journal-page 99)

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VERSIONS OF THIS BILL

12/18/2018

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2
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8
9 **A BILL**

10
11 TO AMEND SECTION 12-6-3790, CODE OF LAWS OF SOUTH
12 CAROLINA, 1976, RELATING TO THE EXCEPTIONAL
13 NEEDS TAX CREDIT, SO AS TO PROVIDE THAT THE
14 CUMULATIVE MAXIMUM ANNUAL CREDIT AMOUNTS
15 ARE INCREASED TO PROVIDE A SCHOLARSHIP TO ANY
16 EXCEPTIONAL NEEDS CHILD OF A MEMBER OF THE
17 ARMED FORCES OF THE UNITED STATES AND WHO IS
18 EITHER ON ACTIVE DUTY OR WAS KILLED IN THE LINE
19 OF DUTY.

20
21 Be it enacted by the General Assembly of the State of South
22 Carolina:

23
24 SECTION 1. Section 12-6-3790(D) of the 1976 Code, as added by
25 Act 247 of 2018, is amended by adding an appropriately numbered
26 item to read:

27
28 “() Notwithstanding the cumulative total of credits allowed
29 pursuant to item (1), the cumulative amount is increased by an
30 amount necessary to award a scholarship to any desirous exceptional
31 needs child that is the child of a member of the armed forces of the
32 United States and who is either on active duty or was killed in the
33 line of duty. By October first of each year, the Revenue and Fiscal
34 Affairs Office, in consultation with the department and the
35 Education Oversight Committee, shall estimate the amount
36 necessary and as soon as practicable thereafter, the Director of the
37 Revenue and Fiscal Affairs Office shall submit the revised
38 cumulative total to the State Register for publication pursuant to
39 Section 1-23-40(2), and the revised cumulative total becomes
40 effective upon publication in the State Register and applies to the
41 following tax year.”
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1 SECTION 2. This act takes effect upon approval by the Governor
2 and the adjustment first applies to the cumulative total for tax year
3 2020.

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